

Message Text

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60

ACTION ARA-10

INFO OCT-01 ISO-00 SAB-01 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 DODE-00 PA-01 PRS-01 /086 W

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R 041220Z OCT 75

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 5335

INFO AMEMBASSY SAN JOSE

AMEMBASSY GUATEMALA

PANCANAL

USSOUTHCOM

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GUATEMALA PASS ROCAP

E.O. 11652: N/A

TAGS: ECON, PN

SUBJECT: GOVERNMENT CONSULTS WITH CONSTRUCTION INDUSTRY

REF: A) PANAMA 5777; B) PANAMA 5940

1. REPRESENTATIVES OF THAT SEGMENT OF ECONOMY MOST AFFECTED BY CURRENT SLUQMP, CONSTRUCTION INDUSTRY, RECEIVED THEIR TURN FOR DIALOGUE WITH HIGH-LEVEL GOP OFFICIALS AT LATEST IN SERIES OF GOVERNMENT-PRIVATE SECTOR MEETINGS HELD SEPTEMBER 26. SEVERAL BANKERS ALSO PARTICIPATED, AND VICE PRESIDENT GONZALEZ AGAIN PRESIDED. SESSION HAS BEEN REPORTED ONLY IN SEMI-INDEPENDENT "LA ESTRELLA." MINISTERS OF FINANCE, PLANNING, COMMERCE AND LABOR WERE PRESENT.

2. PANAMANIAN CHAMBE OF CONSTRUCTION (CAPAC) MANAGER BARNES INFORMED EMBOFF THAT INDUSTRY REPRESENTATIVES USED OCCASION
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TO PRESS 1) FOR LEGISLATION TO REQUIRE INDEXATION IN ALL

CONSTRUCTION CONTRACTS AS INFLATION PROTECTION AND 2) FOR CREATION OF FUND TO PROVIDE UNEMPLOYMENT BENEFITS FOR CONSTRUCTION WORKERS, WITH CONTRIBUTIONS TO FUND RELATED TO WORKER PRODUCTIVITY. LATTER PROPOSAL WOULD, IN EFFECT, REQUIRE LABOR CODE TO TAKE MORE CLEARLY INTO ACCOUNT DIFFERENCES WHICH EXIST IN WORKING CONDITIONS, STABILITY OF EMPLOYMENT, ETC. BETWEEN INDUSTRIAL OR CLERICAL WORKERS AND CONSTRUCTION WORKERS, CHANGES WHICH INDUSTRY HAS SOUGHT SINCE BEFORE LABOR CODE WAS FORMALLY ADOPTED. GOP REPS PROMISED CAREFUL CONSIDERATION OF BOTH PROPOSALS AND INDICATED THAT POSSIBILITY OF REDUCING REAL ESTATE TAXES FOR CERTAIN PERIOD OF TIME AS INCENTIVE TO INVEST WAS ALSO BEING CONSIDERED. PRESS ACCOUNT INDICATED GOVERNMENT SPOKESMEN ALSO PROMISED TO CONTINUE ACCELERATED LOW-COST HOUSING PROGRAMS WHICH, TOGETHER WITH OTHER GOP PROJECTS SUCH AS NEW AIRPORT, CEMENT PLANT, AND CONVENTION CENTER, SHOULD HELP CONSTRUCTION RETURN TO "NORMAL LEVEL" BY NEXT SUMMER. BARNES SAID INDUSTRY DOES NOW SEE SOME GLIMMER OF HOPE FOR UPTURN BY END OF YEAR. CONSTRUCTION PERMITS ISSUED IN AUGUST WERE HIGHEST FOR THAT MONTH IN LAST SEVERAL YEARS, ALTHOUGH TOTAL FOR JANUARY-AUGUST STILL 5 PERCENT BELOW THAT FOR SAME PERIOD IN 1974, WHICH WAS NOT A VERY GOOD YEAR.

3. COMMENT: SLOWDOWN IN CONSTRUCTION ACTIVITY, WHICH BEGAN IN LATE 1973, HAS BROUGHT MOST LOCAL CONSTRUCTION COMPANIES TO VERY SEVERE TEST AND SEVERAL TO WHAT MIGHT BE TERMED STATE OF SUSPENDED INSOLVENCY, WHERE BANKS AND OTHER CREDITORS HAVE THUS FAR REMAINED WILLING TO WAIT OUT SLUMP IN HOPES OF EVENTUALLY RECOVERING WHAT IS OWED THEM. REALIZATION OF NEGATIVE EFFECT ON SAGGING BUSINESS CONFIDENCE WHICH AN ACTUAL BANKRUPTCY OF ONE OR MORE MAJOR CONSTRUCTION COMPANIES WOULD HAVE WILL LIKELY INSURE MORE SERIOUS CONSIDERATION BY GOP OF INDUSTRY'S PROPOSALS SUBMITTED AT THIS MEETING.
GONZALEZ

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